GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1091
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Interest Rate Cut by RBI
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Will the Minister of FINANCE be pleased to state:

(a) the details of cut in the interest rates made by RBI during the last three years and the current year;

(b) whether nationalised banks are not forwarding the benefit of cut in interest rates by RBI to its customers;
(c) if so, the reasons therefor; and
(d) whether the Government has directed banks to reduce interest rates to give impetus to consumer demand and economic progress?

Answer

The Minister of State in the Ministry of Finance

(a) The Reserve Bank of India (RBI) has cumulatively cut the policy repo rate by 150 basis points (bps) since January, 2015. The details of movement in key policy rates of RBI during the last three years and the current year are given at Annexure-I.

(b) to (d) With the introduction of Base Rate System from 1st July, 2010, and thereafter Marginal Cost of Funds based Lending Rate (MCLR) System with effect from 1st April, 2016, all rupee lending rates (including advances up to Rs.2 lakh) have been deregulated and these interest rates are determined by banks themselves as approved by their respective Boards. In a deregulated environment, interest rates on all types of advances (fixed and floating interest rates) are decided by banks based on their commercial judgment.
The Public Sector Banks (PSBs) have reduced their base rates in the range of 30-70 basis points up to April 15, 2016 compared to January 15, 2015 (Annexure-II)
Introduction of MCLR with effect from 1st April, 2016 has led to further reduction in lending rates compared to Base Rate System as shown in Annexure-III.